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State Department review

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Communist China: The celebrations in Peking yesterday on the 20th anniversary of the Communist government showed clearly that there is little to celebrate.

The sobriety and restraint of the occasion reflected the severe domestic and foreign problems facing the regime. Although Mao Tse-tung and Lin Piao both appeared, reportedly in good health, they did not bring with them from their five-month absence from public view any new or distinctive policy guidelines. Lin's brief and nondescript address at the National Day rally and a speech by Chou En-lai at a 30 September reception gave relatively short shrift to the Cultural Revolution. Both leaders reiterated the appeals for national unity that Peking has been making since the Ninth Party Congress in April.

A joint People's Daily - Red Flag - Liberation Army Journal editorial on 1 October stressed the same themes as last year, calling for the rebuilding of the party and the consolidation of local governments, testimony to the slow progress being made in repairing the damage done during the Cultural Revolution.

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The level of both the North Korean and North Vietnamese delegations to the National Day ceremonies suggests that Peking is making renewed efforts to counter Soviet attempts to isolate China.

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North Korea's delegation to the National Day ceremonies ranked notably higher than that of last year. North Vietnam's Premier Pham Van Dong was the featured foreign guest at the celebrations, and the Peking press highlighted the friendly talks between Chou En-lai and Pham Van Dong. Peking probably believes that closer relations with Hanoi will afford it new opportunities to influence the post-Ho leadership.

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[Vietnam: The latest battle casualty reports reveal that both allied and enemy losses decreased significantly in the third quarter of this year.

An average of about 150 US personnel were killed each week during July, August, and September, compared with some 280 per week in all of 1968 and about 245 per week in the first six months of 1969. South Vietnamese battle deaths over the past three months have averaged around 230 per week, according to preliminary reports. This figure is well below the weekly average of South Vietnamese combat deaths in 1968 and in the first half of this year. Current allied casualty rates are generally in line with those of the so-called "lull" periods in the summer and late fall of 1968.

Communist battle losses during the past three months have averaged about 2,500 deaths per week, down from an average of some 3,500 per week during all of 1968 and in the first half of 1969.

These lower casualty figures primarily reflect changes in enemy tactics made after costly offensives in late February and March. At that time, the Communists moved many main force troops forward into exposed positions and attempted to sustain pressure for several weeks. Since last spring, however, they have concentrated their efforts on brief surges of shellings and limited ground attacks. Moreover, the short periods of increased enemy activity during the past three months have been considerably less intense than those in May and June. The Communists have been relying increasingly on small commando-type sapper units and guerrillas rather than large conventional infantry forces.

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Japan: Student "guerrillas" have opened in earnest their campaign against the police as a prelude to larger protests later this month and next.

Following last week's molotov cocktail attacks on police boxes in Osaka and Kyoto, rampaging students on Tuesday launched similar hit-and-run raids against police and other public facilities in Tokyo. Breaking up into groups of 20 or 30, they simultaneously attacked some ten targets, dispersing only when confronted with sizable police forces.

The student violence is likely to continue, partly in reaction to the recent police crackdown under the new university reform bill. In addition, student extremists will try to set off widespread disturbances on 10 and 21 October, dates fixed for major antigovernment demonstrations. This in turn would set the stage for even larger protests against Prime Minister Sato's visit to the US in November for talks on Okinawa.

The government is anxious to keep demonstrations within bounds as Japan heads into its crucial year of 1970 when the security treaty with the US comes up for review. Other compelling reasons to maintain order are the prospect of national elections and Japan's proudly anticipated role as host to "Expo 70."

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Portugal: A somewhat freer political atmosphere marks preparations for the National Assembly elections on 26 October.

Prime Minister Caetano's efforts to establish a political form which would distinguish him from his predecessor seem to be opening the door to a somewhat less rigid system. Although a massive government victory in the election is expected, all political groups are campaigning because they consider the present political setup to be transitional.

Within the government's National Union party, old-line supporters of Salazar are vying for power with moderate reformers led by a close associate of Caetano. Both conservatives and moderates are represented on the government slate, and three fourths of the candidates are new faces. In two provinces, government party splinter groups are running separately from the National Union.

The prime minister has avoided making any changes that might be politically dangerous. In a speech on 27 September, for example, Caetano advocated administrative reform and a strong presidential system. This move may have been calculated to placate old-line Salazarist supporters of President Thomaz, including some of the military, who have been reported restless and critical of the Caetano regime.

The antigovernment elements are split because Socialist leader Mario Soares and his group refused to associate with the Communists. Soares apparently reasoned that his best strategy is to gamble on Caetano's wanting a moderate anti-Communist opposition to play more of a role in Portugal. The remaining opposition is associated with the Communists and is stronger organizationally than the group led by Soares, but is weak in leadership. Its adherents are younger and include some Socialists and Christian Democrats, as well as orthodox and pro-Peking Communists and other extremists.

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The Netherlands: A decision by the largest trade union federation to boycott national-level wage consultations could lead to serious trouble within the De Jong government.

The Socialist labor federation (NVV) announced the decision shortly after parliament approved last Friday a hotly debated bill to broaden the government's right to intervene in wage contracts deemed contrary to the national interest. Labor generally regards the bill as a reversion to restrictive wage policies pursued during most of the postwar period. The government, on the other hand, sees it as a means of combating inflation and keeping the budget balanced.

The three major labor federations all opposed the bill, but they have not agreed on tactics. The NVV's boycott will apply to wage talks in two advisory bodies, both containing representatives of labor and management and one also including the government. The boycott could open the door for strikes when contracts are approved that are unacceptable to the NVV. The Catholic federation has also agreed to boycott certain wage consultations, while the Protestant group is taking a wait-and-see attitude.

The bill caused considerable dissension within two of the four coalition parties. Fifteen Catholic deputies pressed for a "No" vote that would have cost the coalition its majority, and only Prime Minister De Jong's threat to resign got the measure passed.

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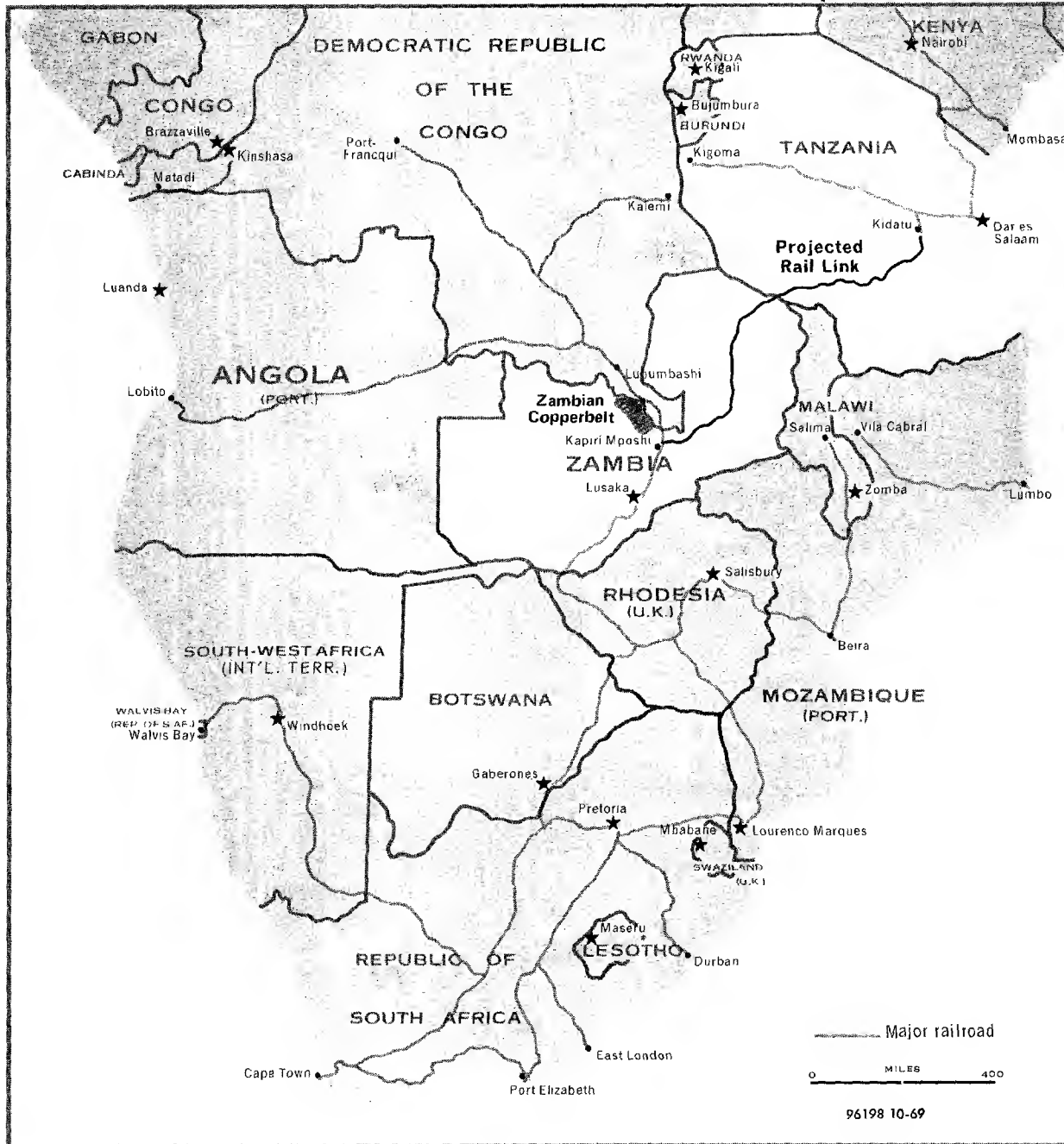
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Chinese Communists Slate Construction of Tan-Zam Railroad for Early 1970



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Tanzania - Zambia - Communist China: The Chinese have almost completed surveying the Tan-Zam railroad right-of-way and are scheduled to begin construction early next year.

Almost 400 more Chinese railroad technicians have arrived in Tanzania over the last six weeks, bringing the total to about 1,000. In addition, 1,800 tons of track and other railway equipment came in from China this week. According to a Zambian official, the engineering survey will be finished in November and construction will start in March 1970. When the line is completed sometime in 1975, Zambia will begin to ship most of its copper exports, which earn over 90 percent of its foreign exchange, through the port of Dar es Salaam. Zambia is now largely dependent on the railways running through the white-ruled states of Rhodesia, Mozambique, and Angola.

Although the cost of the project and the repayment schedule are still unknown, the Tanzanian and Zambian governments will finance local costs over the next five years largely by selling Chinese goods-- textiles, tools, agricultural equipment, and food-- through their state trading corporations. These goods will be furnished under a commodity credit arrangement to be repaid later. The Tanzanians hope to repay the credit with local manufactured goods rather than hard currency, but it is unclear how the Zambians intend to pay back their portion.
(Map)

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Algeria - East Germany: There are signs that Algeria may be moving toward an exchange of diplomatic representatives with East Germany.

Responding to Ulbricht's invitation, Algeria is sending an important governmental delegation headed by the minister of commerce to attend East Germany's 20th anniversary celebrations. After announcing the minister's attendance, the official Algerian press went on to rationalize a possible diplomatic exchange. The commentary pointed out, for example, that the existence of East Germany was a political fact, that the East Germans had normalized relations with Cambodia and several Arab countries, and also that good relations could be maintained with both Germanies.

Algeria is virtually the only important radical Arab state without a diplomatic representative in Pankow. It has been resisting East German pressures for diplomatic exchanges for a number of years. During this time, however, it has concluded cultural, scientific, and economic agreements with East Germany, has exchanged governmental and party delegations, and has received some minor East German assistance.

On the other hand, Algeria also has received important economic assistance from West Germany, despite the fact that relations were broken in 1965. Although Bonn would probably fulfill any existing obligations, it probably would not make any significant new aid commitments should Algiers in fact recognize Pankow.

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Bolivia: A major La Paz newspaper has taken a strident tone against the US, apparently with the approval of the new military government.

On Wednesday, the newspaper Jornada charged that "US imperialism," represented by the AID programs, the Export-Import Bank, and the US consulates, was to blame for the recent crash of a Bolivian airliner that claimed 74 lives.

The paper, which reportedly is sponsored by high government officials, said that US agencies forced the airline to fly old and unsafe equipment. The government is exhorted to "liberate the state from the withering influence of USAID and other development agencies."

Bolivian officials are also continuing to speak of their desire for an "ideological confederation" with the military government of Peru. The Peruvians, however, have rejected any close identification with the Ovando government although they extended diplomatic recognition after Brazil and Argentina had led the way.

Peru's hesitancy to accept the "ideological confederation" concept is probably due to fear that any indication that it is encouraging Ovando's leftist and nationalistic policy statements might rekindle doubts among foreign governments and investors about Peru's economic and political policies. After stressing the differences in the Peruvian and Bolivian situations in a press conference on 28 September, Foreign Minister Mercado made it clear that the "Peruvian revolution is not for export."

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British Honduras: The British hope to persuade Premier Price not to request a conference on independence in November.

Independence for the colony has long been stymied by Guatemala's claim to the territory and by Britain's unwillingness to grant a post-independence defense guarantee. The British minister of state for Caribbean Commonwealth Affairs will begin a visit to the colony today. He will probably caution Price to delay any independence plans until after the Guatemalan elections in March 1970. [REDACTED]

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The British will have a difficult time dissuading Price from requesting a conference. The premier has long promised to lead the colony to full independence during his current term of office. He is concerned about facing the electorate, which he must do before 15 March, without having made any progress toward independence. He will probably want a conference this fall, therefore, to show that he has made every effort to convince the British to grant a defense guarantee. [REDACTED]

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Netherlands Antilles: Unsuccessful efforts to form a new government may lead to new elections.

The date for installation of a new government, 29 September, passed with no agreement among the six parties represented in the 22-man legislature (Staten) elected on 5 September. In the first meeting of the Staten on Monday, the representatives split into two 11-man groupings.

Four varied opposition parties have lined up against the Democratic and Patriotic parties, which controlled the government until ousted after serious riots swept the main island of Curacao last May. As a result of the legislative impasse, the caretaker government appointed at that time remains in power. If no solution is found in the next month or so, the interim minister-president may have no choice but to call new elections.

Ideology has played little part in the maneuvering currently under way, and individuals might cross party lines at any time to break the impasse. It is also possible, however, that the Democratic-Patriotic bloc might be willing to risk new elections in an attempt to strengthen its position.

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UN: Dutch Foreign Minister Luns proposed yesterday that the UN General Assembly take up the matter of aerial hijacking. The Dutch have prepared a resolution urging full support for the Tokyo convention provisions on the seizure of civil aircraft and for a supplementary convention on the punishment of hijackers now being drafted by the International Civil Aviation Organization. The Soviets appear to be very hostile toward the Dutch initiative. They maintain that it is not a proper subject for Assembly consideration and are trying to give the impression the proposal is a US anti-Cuban move in disguise. As a result of Moscow's position, Finland has decided to drop its earlier plan to have the Security Council consider the matter. Helsinki will also back away from cosponsoring the Dutch resolution.

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USSR-Indonesia: Following a month of talks in Djakarta, Moscow has agreed to resume some economic aid to Indonesia, but the two countries have not yet settled the thorny debt problem. The Soviets will complete work on several development projects that have been in abeyance since mid-1966, and they may provide new aid for Indonesian tin and fishing industries. Discussions on Indonesia's \$800 million debt to the USSR will be continued at a later date.

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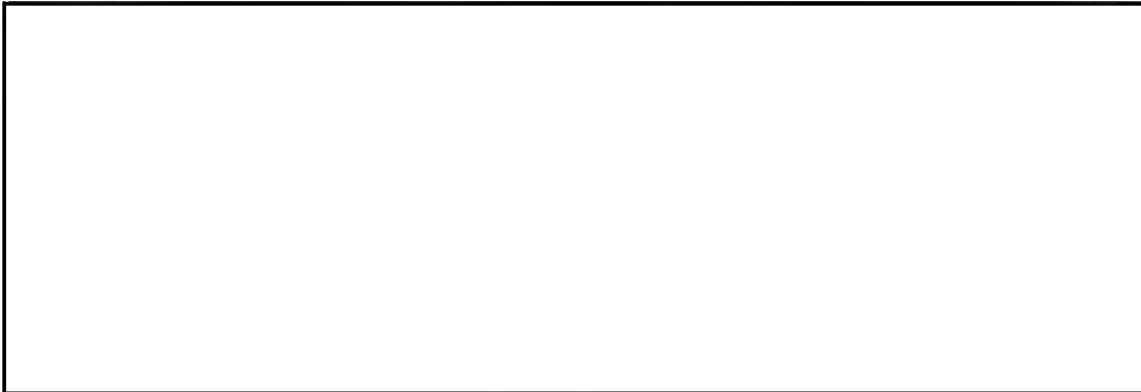
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South Africa: Ultraracist dissidents in the ruling National Party may soon form a new political party. The dissidents, who oppose Prime Minister Vorster's policies of cultivating relations with Black African states, reportedly reached the decision after a series of strategy meetings. They have been under increasing pressure from Vorster forces to toe the line on party policies or face expulsion. With national elections only seven months away, it is unlikely that this splinter group will be able to build an organization effective enough to challenge the National Party leadership.

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